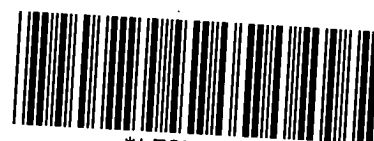


DIRECT PRODUCE SUPPLIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

FRIDAY



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DIRECT PRODUCE SUPPLIES LIMITED

COMPANY INFORMATION

Directors	P Beaumont D Price J P Beynon N Laister R Moser
Registered number	01336601
Registered office	4th Floor 7/10 Chandos Street London W1G 9DQ
Independent auditors	Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 7-10 Chandos Street London W1G 9DQ

DIRECT PRODUCE SUPPLIES LIMITED

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DIRECT PRODUCE SUPPLIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

Introduction

The directors present their strategic report, which is followed by the directors' report, together with the audited financial statements for the year ended 30 September 2017.

Business review

This year has seen the business continue to grow at a significant rate and we have experienced one of the best years in the company's history. The portfolio of products has increased with some of the latter additions being at the heart of the accelerated growth we have seen in the period.

The integrated nature of our fresh produce supply has continued to deliver exceptional insight for our customers and our growers, regarding the most effective and efficient route to market. This approach with effective oversight provides a long term sustainable model. This model aligned with our joint venture group packing company has seen significant improvements in the service delivery for our customers and grower partners. We continue to expect continued growth within all product area as more global producers are attracted to the linear open aspect of our fresh produce supply model.

The retail environment within the UK remains very competitive however the group has effective business plans in place with its key customer and remains confident that its cost base remains one of the most competitive in the market.

During the period the company further diversified the category portfolio in which it is involved. The business is now involved in seven product categories across both fresh fruit and salad. The business continues with our joint venture partners continue to invest capital to facilitate effective supply chain efficiencies that will deliver continued and potentially enhanced growth in the medium term.

The board are delighted with the results of the company and have seen it exceed the planned metrics for the period. These results have been delivered by a highly motivated professional team that continue to deliver exceptional performance. We are still of the belief that opportunities for significant further growth and business development are available within our industry.

DIRECT PRODUCE SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

Principal risks and uncertainties

The company's financial instruments principally comprise of cash at bank and bank loan facilities, the main purpose of which is to finance the company's operations. In addition, the company has various other financial assets and liabilities such as trade debtors and creditors arising directly from operations. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest, liquidity, credit and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Interest rate risk

The company is exposed to cash flow interest rate risk on its floating rate borrowings. All borrowings are in sterling.

Liquidity risk

The company manages its borrowing requirements to ensure the company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

The recipients of all loans are subject to credit verification procedures by the Board. Debtors are reviewed on a regular basis and provisions are made for doubtful debts when necessary.

Foreign currency risk

The company is exposed to exchange rate fluctuations particularly where goods are purchased in Euros. This is largely managed through hedging via use of currency forward contracts.

Financial key performance indicators

The key performance indicators of the company are turnover, gross profit, profit before tax and net assets. A brief analysis of these is shown below:

	2017 £'000	2016 £'000	Variance %
Turnover	117,640	80,365	46
Gross profit	8,462	6,097	39
Profit before tax	2,547	1,801	41
Net assets	4,777	2,894	65

DIRECT PRODUCE SUPPLIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

This report was approved by the board on **14 June 2018** and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P Beaumont', with a horizontal line extending from the end of the signature.

P Beaumont
Director

DIRECT PRODUCE SUPPLIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

Directors

P Beaumont
D Price
J P Beynon
N Laister
R Moser (appointed 3 January 2017)

Results and dividends

The profit for the year, after taxation, amounted to £1,883,583 (2016 -£1,331,146).

The directors do not propose the payment of a dividend.

The directors have highlighted in the strategic report on pages 1 and 2, a review of the current year results, future outlook expectations, risks and key performance indicators for the company.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECT PRODUCE SUPPLIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **14 JUNE 2018** and signed on its behalf.



P Beaumont
Director

DIRECT PRODUCE SUPPLIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT PRODUCE SUPPLIES LIMITED

Opinion

We have audited the financial statements of Direct Produce Supplies Limited for the year ended 30 September 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

DIRECT PRODUCE SUPPLIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT PRODUCE SUPPLIES LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

DIRECT PRODUCE SUPPLIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT PRODUCE SUPPLIES LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' Report.



Daryush Farshchi-Heidari (FCA) (Senior statutory auditor)

for and on behalf of

Simmons Gainsford LLP

Chartered Accountants

Statutory Auditors

7-10 Chandos Street

London

W1G 9DQ

Date: 14 June 2018

DIRECT PRODUCE SUPPLIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Turnover	4	117,640,102	80,364,655
Cost of sales		(109,178,414)	(74,267,919)
Gross profit		8,461,688	6,096,736
Administrative expenses		(6,284,422)	(4,649,107)
Other operating income	5	360,000	363,669
Operating profit	6	2,537,266	1,811,298
Interest receivable and similar income		9,674	822
Interest payable and expenses		(286)	(10,725)
Profit before tax		2,546,654	1,801,395
Tax on profit	10	(663,071)	(470,249)
Profit for the year		1,883,583	1,331,146

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 12 to 24 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED
REGISTERED NUMBER: 01336601

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	253,122	166,394
Current assets			
Stocks	13	1,462,963	749,224
Debtors: amounts falling due within one year	14	14,175,887	13,117,088
Cash at bank and in hand		6,752,771	4,038,069
		<u>22,391,621</u>	<u>17,904,381</u>
Creditors: amounts falling due within one year	15	(17,827,204)	(15,136,819)
Net current assets		<u>4,564,417</u>	<u>2,767,562</u>
Total assets less current liabilities		<u>4,817,539</u>	<u>2,933,956</u>
Provisions for liabilities			
Deferred tax	16	(40,238)	(40,238)
		<u>(40,238)</u>	<u>(40,238)</u>
Net assets		<u><u>4,777,301</u></u>	<u><u>2,893,718</u></u>
Capital and reserves			
Called up share capital	17	136,392	136,392
Profit and loss account		4,640,909	2,757,326
Shareholders' funds		<u><u>4,777,301</u></u>	<u><u>2,893,718</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



14 June 2018

P Beaumont
Director

The notes on pages 12 to 24 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	136,392	2,757,326	2,893,718
Comprehensive income for the year			
Profit for the year	-	1,883,583	1,883,583
At 30 September 2017	<u>136,392</u>	<u>4,640,909</u>	<u>4,777,301</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2015	136,392	1,426,180	1,562,572
Comprehensive income for the year			
Profit for the year	-	1,331,146	1,331,146
At 30 September 2016	<u>136,392</u>	<u>2,757,326</u>	<u>2,893,718</u>

The notes on pages 12 to 24 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information

The company is a private company limited by shares, and is incorporated in England and Wales. The address of its registered office is 4th Floor, 7/10 Chandos Street, London, W1G 9DQ. The principal trading address is 12 Calico House, Plantation Wharf, London, SW11 3TN.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Terradace Holdings Limited as at 30 September 2017 and these financial statements may be obtained from 4th Floor, 7/10 Chandos Street, London, W1G 9DQ.

2.3 Revenue

Turnover from the sale of goods is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line and reducing balance method.

The estimated useful lives range as follows:

Short-term leasehold property	- 8 or 10 years
Fixtures and fittings	- 10 years or 15% reducing balance
Computer equipment	- 1 to 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.8 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

The company contributes to the personal pension schemes of certain directors and employees and the pension charge represents the amounts payable by the company during the year.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 Forward contracts

The company uses derivative financial instruments, in particular forward currency contracts, to manage the financial risks associated with the company's activities and the financing of those activities. The company does not undertake any trading activities in financial instruments.

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast payments in foreign currencies. At maturity or when the contract ceases to be a hedge, gains and losses are taken to the profit and loss account.

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

2. Accounting policies (continued)

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider there to be no significant areas of judgments or key sources of estimation uncertainty.

4. Turnover

The total turnover of the company for the year has been derived from the sale of goods as per its principal activity.

All turnover arose within the United Kingdom.

5. Other operating income

	2017 £	2016 £
Management fees receivable	360,000	363,669

6. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £	2016 £
Depreciation of tangible fixed assets	110,040	103,620
Exchange differences	(156,793)	92,541

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

7. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	37,000	37,000
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the company	20,000	20,000
Taxation compliance services	28,509	11,060
All other services	2,890	7,015

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	3,466,568	3,027,500
Social security costs	364,481	284,409
Company contributions to defined contribution pension schemes	124,664	275,049
	<u>3,955,713</u>	<u>3,586,958</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Production and Distribution	33	31
Office Management	12	9
	<u>45</u>	<u>40</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

9. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	136,633	72,745
Company contributions to defined contribution pension schemes	4,216	2,547
	<u>140,849</u>	<u>75,292</u>

During the year retirement benefits were accruing to 1 director (2016 -NIL) in respect of defined contribution pension schemes.

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	666,000	471,000
Adjustments in respect of previous periods	(2,929)	(751)
Total current tax	<u>663,071</u>	<u>470,249</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 -higher than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>2,546,654</u>	<u>1,801,395</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 -20%)	496,598	360,279
Effects of:		
Expenses not deductible for tax purposes	164,629	87,970
Capital allowances for year in excess of depreciation	4,773	18,432
Adjustments to tax charge in respect of prior periods	(2,929)	(751)
Effect of change in tax rate during period	-	4,319
Total tax charge for the year	<u>663,071</u>	<u>470,249</u>

Factors that may affect future tax charges

The Finance Act 2016 announced that the proposed reduction in the main corporation tax rate from 2020 would be 17%.

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

11. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 October 2016	3,297	80,529	320,889	404,715
Additions	-	21,680	175,088	196,768
At 30 September 2017	<u>3,297</u>	<u>102,209</u>	<u>495,977</u>	<u>601,483</u>
Depreciation				
At 1 October 2016	445	48,350	189,526	238,321
Charge for the year on owned assets	329	4,883	104,828	110,040
At 30 September 2017	<u>774</u>	<u>53,233</u>	<u>294,354</u>	<u>348,361</u>
Net book value				
At 30 September 2017	<u>2,523</u>	<u>48,976</u>	<u>201,623</u>	<u>253,122</u>
At 30 September 2016	<u>2,852</u>	<u>32,179</u>	<u>131,363</u>	<u>166,394</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

12. Fixed asset investments

	Unlisted investments £
Cost	
At 1 October 2016	260,000
At 30 September 2017	<u>260,000</u>
Impairment	
At 1 October 2016	260,000
At 30 September 2017	<u>260,000</u>
At 30 September 2017	<u>-</u>
At 30 September 2016	<u>-</u>

13. Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>1,462,963</u>	<u>749,224</u>

Stock recognised in cost of sales during the year as an expense was £100,191,370 (2016 - £67,801,118).

14. Debtors

	2017 £	2016 £
Trade debtors	11,440,561	6,532,796
Amounts owed by group undertakings	1,262,336	5,677,393
Other debtors	1,123,511	738,642
Prepayments and accrued income	349,479	168,257
	<u>14,175,887</u>	<u>13,117,088</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

15. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans	-	42,774
Trade creditors	12,300,323	11,630,139
Amounts owed to joint ventures	2,054,113	1,317,783
Corporation tax	400,116	361,216
Other taxation and social security	79,505	70,017
Accruals and deferred income	2,993,147	1,714,890
	<u>17,827,204</u>	<u>15,136,819</u>

Secured loans

The bank loan was secured against a debenture over the assets of the company and by way of a cross guarantee provided by fellow group undertakings. The bank loan was also secured by way of a mortgage over specific assets of the company.

16. Deferred taxation

	2017 £	2016 £
At beginning of year	40,238	40,238
At end of year	<u>40,238</u>	<u>40,238</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	<u>40,238</u>	<u>40,238</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

17. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
136,382 Ordinary A shares of £1 each	136,382	136,382
100 Ordinary B shares of £0.10 each	10	10
	<hr/>	<hr/>
	136,392	136,392
	<hr/>	<hr/>

All shares rank pari-passu. There are no restrictions on distribution of dividends and the repayment of capital.

18. Contingent liabilities

The company has entered into forward currency contracts amounting to £5,298,781 (2016 - £6,001,490) as at the balance sheet date.

At the balance sheet date the company had entered into a group bank cross guarantee in respect of loans and overdrafts. At the balance sheet date the total contingent liability attributable to this company amounted to £950,691 (2016 - £1,290,941).

19. Related party transactions

During the year logistic management fees of £147,719 (2016 - £151,284) were charged by a fellow subsidiary undertaking.

During the year purchases of £144,768 (2016 - £42,421) were made from a fellow subsidiary undertaking.

During the year, the company made purchases of £17,470,300 (2016 - £14,923,874) and charged fees of £nil (2016 - £63,669) to a joint venture undertaking.

At the balance sheet date loans of £27,075 (2016 - £21,864) are outstanding from directors of the company. Interest is charged on the loans at a rate of 2.5/3% per annum.

20. Controlling party

H & B Holdings Limited is considered to be the company's immediate parent undertaking in both the current and prior year.

P Beaumont is considered to be the ultimate controlling party by virtue of his shareholding in Terradace Holdings Limited during the current and prior year.

The results of the company are included within the consolidated accounts of Terradace Holdings Limited which are available to the public and may be obtained from 4th Floor, 7/10 Chandos Street, London, W1G 9DQ.